

Assembly Bill No. 836

CHAPTER 890

An act to amend Section 7273 of the Revenue and Taxation Code, relating to taxation.

[Approved by Governor September 26, 1998. Filed
with Secretary of State September 28, 1998.]

LEGISLATIVE COUNSEL'S DIGEST

AB 836, Sweeney. Transactions and use taxes: administrative cost recovery.

The Transactions and Use Tax Law sets forth various limitations, requirements, and procedures with respect to the levy of a local transactions and use tax by a "district," as defined, and requires that any tax that is so levied be administered by the State Board of Equalization pursuant to a contract between the board and the levying district. It also provides for the board's recovery each fiscal year of its costs incurred in administering a local transactions and use tax.

This bill would limit the amount that may be charged by the board to a district for the administration of a local transactions and use tax for any fiscal year to the lesser of the percentage the board would have charged if this bill were not enacted or a specified percentage of the total amount of revenue collected by the board pursuant to that transactions and use tax for that fiscal year.

This bill would require the board to report on March 1, 1998, and January 1, 1999, to the budget committees of each house of the Legislature on the actions the board will take to adjust its costs commensurate with the reduced reimbursements provided by this bill.

The people of the State of California do enact as follows:

SECTION 1. Section 7273 of the Revenue and Taxation Code is amended to read:

7273. In addition to the amounts otherwise provided for preparatory costs, the board shall charge an amount for its services in administering the transactions and use tax determined by the board, with the concurrence of the Department of Finance, as follows:

(a) Beginning with the 1993-94 fiscal year, the amount charged shall be based on the total special taxing jurisdiction costs reflected in the annual Budget Act. This amount comprises the categories of

direct, shared, and central agency costs incurred by the board and shall include the following:

(1) The amount charged to each entity shall be based on the recommendations incorporated in the March 1992, report by the Auditor General entitled “The Board of Equalization Needs To Adjust Its Model For Setting Reimbursement Rates For Special Tax Jurisdictions.”

(2) The amount charged may be adjusted in the current fiscal year to reflect the difference between the board’s budgeted costs and any significant revised estimate of costs. Any adjustment shall be subject to budgetary controls included in the Budget Act. Prior to any adjustment, the Department of Finance shall notify the Chairperson of the Joint Legislative Budget Committee not later than 30 days prior to the effective date of the adjustment.

(3) For the 1995–96 fiscal year and each fiscal year thereafter, the amount charged shall be adjusted to reflect the difference between the board’s recovered costs and the actual costs incurred by the board during the fiscal year two years prior.

(b) The board shall, by June 1 of each year, notify districts of the amount that it anticipates will be assessed for the next fiscal year. The districts shall be notified of the actual amounts that will be assessed within 30 days after enactment of the Budget Act for that fiscal year.

(c) The amount charged a transactions and use tax district that becomes operative during the fiscal year shall be estimated for that fiscal year based on that district’s proportionate share of direct, indirect, and shared costs.

(d) The amounts determined by subdivision (a) shall be deducted in equal amounts from the quarterly allocation of taxes collected by the board for a given district.

(e) For the 1998–99 fiscal year and each fiscal year thereafter, the amount charged to a district by the board shall not exceed the lesser of the percentage the board would have charged for the 1998–99 fiscal year under this section as it read prior to the amendments made by the act adding this subdivision, or the following percentages of the total transactions and use tax revenue collected by the board for that district for each fiscal year:

(1) For districts imposing a transactions and use tax of one-half of 1 percent or greater, the amount charged by the board shall not exceed 1.5 percent, for the 1998–99 fiscal year and each fiscal year thereafter.

(2) Beginning with the 1998–99 fiscal year and in each fiscal year thereafter, the amount charged to a district imposing a transactions and use tax of one-quarter of 1 percent shall not exceed 3 percent.

(3) Beginning with the 1998–99 fiscal year and in each fiscal year thereafter, the amount charged to a district imposing a transactions and use tax of one-eighth of 1 percent shall not exceed 5 percent.

(f) The board shall report to the Chairperson of the Senate Committee on Budget and Fiscal Review and the Chairperson of the Assembly Committee on Budget by March 1, 1998, and January 1, 1999, on the actions the board will take to adjust its costs commensurate with the changes in reimbursements effected by this bill. The report shall analyze the impact of the reduced reimbursements on the board's budget and how the board's actions may impact its revenue-producing activities. The board may not reduce positions that are responsible for the generation or receipt of revenues, including, but not limited to, positions in the audits and compliance programs.

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